

3 April 2017



Ged Cann
Fairfax Media

Dear **Ged**,

REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your request dated **3 March 2017** made pursuant to the Official Information Act 1982 ("**OIA**") and received by us on **23 March 2017**, having been transferred to us by The Treasury. Thank you also for your additional questions (6 & 7), received on **27 March 2017**.

Your Request

In the context of the Irish Parliament having voted to require the Ireland Strategic Investment Fund to divest from coal, oil and gas investments, you are looking to find out what investments the NZ government currently has in the fossil fuel industry and whether such a decision would be possible here. You have requested the following information:

- 1. An estimated dollar value of how much money the New Zealand Superannuation Fund ("the Fund") has currently invested in fossil fuel-related assets/holdings**
- 2. How many companies whose main operations are in the fossil fuel industry the Fund has shares in**
- 3. The names of those companies**
- 4. What investments the NZ Super Fund has in renewable energy sources and companies**
- 5. How these figures have changed over time (figures changing over a decade "would be best").**
- 6. How easy or difficult it would be to divest fossil fuel holdings.**
- 7. How the Fund's investments in fossil fuel have changed since the October 2016 announcement of the Fund's climate change strategy.**

Our Response

Questions 1, 2, and 3

Your request is declined on the basis that:

- the information you have requested is already publicly available (section 18(d)), and the figures and company names requested will not have changed materially since last disclosed;
- to refresh this data to respond to your request would require substantial collation and research on our part that would have a significant and unreasonable impact on our ability to carry out our other operations (section 18(f)). We have considered whether the charging of a fee to obtain this information would change our decision in this regard, and have decided that it would not. We consider the efforts we have already made to make this information publicly available are

sufficient to address your request, given that under the OIA we are not required to create new information to answer a request, nor to form an opinion (for example how to define 'fossil fuel-related assets' or what level of materiality we should apply to determine 'main operations...in the fossil fuel industry').

We refer you to:

- Public statements and disclosures in relation to our 2016 climate change strategy announcement:
 - <https://www.nzsuperfund.co.nz/news-media/nz-super-fund-announces-multi-faceted-climate-change-strategy>
 - <https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/climate-change>
 - <https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment-climate-change/climate-change-strategy>
- The Carbon Footprint of our equity portfolio that we released in October 2016. Please see: <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/NZSF%202015%20Carbon%20Footprint.pdf>. In summary, this showed that as at 30 June 2015, for the Fund's equity portfolio, 7.0% by market capitalisation had fossil fuel reserves (including coal) and 1.2% by market capitalisation had coal reserves. For the Fund's total portfolio (estimated): 5.0% by market capitalisation had fossil fuel reserves and 0.8% by market capitalisation had coal reserves.
- Publicly available annual lists of the New Zealand Superannuation Fund's equity holdings for 2010-2016. Please see: <https://www.nzsuperfund.co.nz/archive/269>. These lists are published annually following the completion of the external year-end audit of the Fund's financial statements.
- Our 7 November 2016 response to an Official Information Act request from the Green Party. This response includes an analysis of holdings invested in companies involved in fossil fuel production and a list of those companies. In summary, we estimated that the Fund had NZ\$671 million invested in companies directly involved in the production of fossil fuels, comprising approximately 2% of the Fund's assets under management. Please see: <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/OIA%202041999.pdf>
- Our 21 October 2015 response to an Official Information Act request from the Green Party. This response covers changes in the Fund's exposure to companies directly involved in the mining and production of fossil fuels over the last five years, based on the Carbon Underground 200 index. Please see: <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/OIA%201743375%20Green%20Party%2021%20October%202015.pdf>
- Our 12 November 2014 response to an Official Information Act request about our work on climate change risk and fossil fuel investments from the Green Party. Please see: <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/OIA%201361783%2012%20November%202014.pdf>

Question 4

You asked what investments the Fund has in renewable energy sources and companies.

Please note that the data on this is open to judgement, and results can differ according to the definitions and methodology chosen. Further detail is provided below.

Private markets exposure – total \$278 million

We are committed to a long-term strategy to increase the Fund's exposure to low-carbon and renewable/alternative energy. Consistent with this strategy, active investments in private alternative energy companies made in recent years include stakes in Bloom Energy, LanzaTech and Longroad. Further details on these investments are available at:

- <https://www.nzsuperfund.co.nz/news-media/nz-super-fund-increases-stake-bloom-energy> (total invested capital **NZ\$122 million**)
- <https://www.nzsuperfund.co.nz/news-media/nz-super-fund-makes-us60-million-investment-lanzatech> (total invested capital **NZ\$115 million**)
- <https://www.nzsuperfund.co.nz/news-media/infratil-nz-super-fund-commit-development-renewables-us> (total invested capital **NZ\$36 million**. Projected investment of up to US\$50 million).

The Fund also has approximately **\$5 million** invested in renewable energy via external investment managers Adams Street, Collier Capital, China Infrastructure Partners, HarbourVest and Pencarrow. These investments include a stake in NZ company SolarCity through Pencarrow. See: <https://www.pencarrowpe.co.nz/portfolio/fund-iv-investments/>.

It is worth noting that the Fund has investments in many companies outside the core renewable energy generation sector which are making a contribution to and/or are expected to benefit from the transition to low-carbon economy. For example, in addition to the investments detailed above, the Fund also has a US\$105 million investment in View Inc., a private company which produces dynamic tinting glass that reduces the amount of energy used for cooling, heating and lighting buildings. See page 51 of our 2016 Annual Report for further detail.

Public/listed markets exposure

It is difficult to easily provide exact numbers for public markets exposure to renewable energy because some companies active in the sector are part of large diversified companies with the majority of their business activities in other areas. For example, some companies listed as producers of fossil fuels are also active in alternative energy. Below we have provided an analysis of our listed equity and bond holdings according to Bloomberg's BNEF New Energy Exposure Rating. This rating is given to a company/issuer based on their exposure to renewable energy, energy smart technologies, carbon capture and storage, and carbon markets. Please note that we are reliant on the judgement of the data providers in determining classifications of each company. We do not rely on these ratings ourselves and provide them here for illustrative purposes.

Bloomberg BNEF New Energy Exposure Rating	Listed equities and bonds as at 30 June 2016	Examples
Main Driver (50%+)	\$24 million	Tesla \$5m
Considerable (25% - 49%)	\$168 million	Contact Energy \$68m Dong Energy \$19m Mercury \$40m
Moderate (10% - 24%)	\$455 million	Meridian \$90m

Minor (<10%)	\$9,214 million	Bay Energy/TrustPower \$40m
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We also refer you to our 23 July 2014 OIA response to the Green Party on Fund investments in renewable energy, energy efficiency, biofuels and clean technology. <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/OIA%201300005%2023%20July%202014.PDF> (plus associated Appendices available at: <https://www.nzsuperfund.co.nz/publications-disclosures/oia>).

Question 5

Your request for figures showing trends in the Fund's fossil fuel holdings over time and ideally over 10 years is declined on the basis that the information is not readily available and answering it would require substantial collation and research on our part that would have a significant and unreasonable on our ability to carry out our other operations (section 18(f)).

We have considered whether the charging of a fee to obtain this information would change our decision in this regard, and have decided that it would not.

We note that annual listings of the Fund's equity holdings for the last six financial years are available on our website at <https://www.nzsuperfund.co.nz/publications/annual-equity-listings> and that our 21 October 2015 OIA response to the Green Party, referenced above, covered a five year time frame.

Question 6

You asked us how easy or difficult it would be to divest fossil fuel holdings. (This a request for comment, not for information/documents we hold).

You can attribute the below statement to our Head of Responsible Investment, Anne-Maree O'Connor.

Shifting to a low-carbon portfolio can require changes to the reference portfolio and/or manager benchmarks, new or restructured manager mandates, changes in tracking error requirements, access to good quality carbon data, and costs associated with customising benchmark indices.

Divestment (identifying companies with reserves and selling shares) is mechanically straightforward, but there are a number of factors which make it complex from a climate risk mitigation perspective for investors. These include:

- climate change has implications for many companies in many sectors, not just fossil fuel companies. When trying to mitigate climate change risk in an investment portfolio, therefore, divesting fossil fuel companies is not a complete solution;
- some companies with exposure to fossil fuels (e.g. mining, utilities and oil companies) also have substantial business activities in other areas including renewable and alternative energy, water utilities or other minerals; gas has a role to play in reducing carbon emissions from oil or coal in many countries on a relative basis during the transition to a low-carbon economy;
- questions over materiality i.e. the proportion of a business that is involved in fossil fuel extraction or production relative to its overall size and emissions/reserves (there are very few 'pure plays');
- varying levels of disclosure by companies over their own carbon footprints and climate change risk; and

- what one investor sells another buys – this means that divestment does not necessarily effect systemic change towards a low-carbon economy as it transfers carbon exposure from one investor's portfolio to another.

For these reasons the Fund's climate change strategy, of which reducing the portfolio's carbon footprint is one part, is multi-faceted, and has a strong emphasis on increasing our efforts to source investments in alternative energy, energy efficiency and transformational infrastructure. See the below link:

<https://www.nzsuperfund.co.nz/news-media/nz-super-fund-announces-multi-faceted-climate-change-strategy>.

Question 7

You asked how the Fund's investment in fossil fuels has changed since the October 2016 announcement of the Fund's climate change strategy.


There have been no material changes to date. We are in the implementation phase of the strategy and are currently focused on determining the specific rules that we will apply to our passive portfolio (the majority of the Fund) to reduce exposure to emissions and reserves. For commercial reasons, we are unable to provide guidance on the specific timing of our shift to a low-carbon portfolio in advance of actual implementation. We will be in a position to provide more detail about our approach, which will include a material selling down of our holdings in fossil fuel companies, later in the year. An updated carbon footprint of the Fund's portfolio will also be produced. This will be the best way of measuring the Fund's carbon intensity and exposure to fossil fuels on an ongoing basis.

General

If you are not satisfied with the information we have made available publicly and in this response, we invite you to resubmit your request with due particularity (for example, further specifics with regard to the definition of what constitutes a fossil fuel-related or renewable energy investment, the names of the companies you consider to be within the scope of your request and the applicable date) with a view to narrowing the information set requested and assisting us to ascertain, more precisely, what information you require that we have not already made available.

You also have the right to seek a review by the Ombudsmen's Office of our decision to decline some of your requests. Contact details for the Ombudsmen's Office can be found at: <http://www.ombudsmen.parliament.nz/>.

Yours sincerely



Fiona Mackenzie
Acting Chief Investment Officer